Amerival
Realty & Valuation Newsletter

AUGUST 15, 2016
Issue 231

REMODELING IS THE ANSWER, OR IS IT?

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WHAT CAN PROPERTY OWNERS DO TO INCREASE THEIR PROPERTY'S VALUE?- As a real estate consultant and appraiser I am often asked this question. Truthfully, I'm not sure I really know. We are a media driven American society. We respond as that in Pavlov's experiment. We take media sound bites and encapsulate that which is imparted as a self-evident truth. Then we blindly follow that "ink" as if it's the final and only answer. As an example, imported Italian marble bath floors will not have an impact on value for basic housing. Air conditioning has a value through most of the value ranges, but not necessarily. Lesser expensive water front dwellings which are primary Summer residences may not find a demand for their appropriate market because the off shore breeze provides enough air movement which is also cooler and more moist, thus air conditioning is not really important. So, you can see that blatant statements as such are not a given, anywhere. The catch-all answer to these scenarios is ,"well, it increases marketability". Ladies and gentlemen, if it increases marketability that means the house with those improvements, although not necessary, will likely sell quicker than the competition without the updates which means the costs incurred for the increased time on the market for the non-added amenity properties have a value. It would be the cost of savings that property experienced in very likely real time and real dollars.

This indicates that everything one does to increase desirability of a property will most likely provide a return on investment. It's simply a matter of the value of that return. The old adage is, "Cost is not necessarily value". You can buy a ceramic tile floor for a room (no size relevance) for $500 or for $5,000. The lower amount may very well return its cost in value, while the $5,000 floor may not return it's cost in value. The unknown factor is what is the value of the dwelling. If it's a very upscale dwelling, then the $5,000 may be returned in value. It's all relative. The value is predicated on the demand the proposed improvement has to the appropriate market. The thinking is as thus. Air conditioning is most likely to return its cost in value in most cases. In ground pools will likely return the cost of installation less the depreciation for this short lived improvement divided by the normal number of months it is used in a particular marketplace. Statistics are showing that the current level of remodeling is yet to reach its full potential until 2017. It is anticipated that "nesting investing" kind of an interesting term, will reach $321 billion for 2016—2017. What's the impact, well this means home equity loans are back and going full steam ahead. The anticipated growth will reach 8 % in 2017. According to some publications the monies will most likely be spent on bathrooms, kitchens an garages and will provide the greatest returns. Even at t he 8% growth it will not have reached the all time high in 2006 which is just before the crash was recognized as ongoing. It wasn't recognized until 2007. ***CON'T***

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CON'T- Why the dramatic increase in home equity, because many people are not looking to move. The safety net is "we know where we are, so why change that comfort". Lower interest rates and what appears to be increased property values is driving this bus. Banks are benefiting mostly. If there are no appraisal fees involved in the home equity loan, then it's a real boom for the banks. It makes one wonder if lenders have considered that this may be the second coming of the real estate melt down. I all too well remember the time before the melt down. The loan officers with whom I dealt had no interest in the fact that this rampant lending was leading to the eventual problem. They only knew of the paycheck they were going to receive.

The increase in property values according to Black Knight Financial Services, totaled $260 billion in additional home equity nationally. The public who, if you recall, were blamed for the "excessive" borrowing after the crash in 2007, are now being targeted for home equity loans for "nesting investing". It was also reported through HomeAdvisor that multiroom remodels are up 67% from a year ago. Is there a negative to this increase in home remodeling from an economic standpoint. The answer is yes. When home remodeling is up dramatically as it appears it is well on its way, new construction will be hurt. This typically means that those new house buyers who are contracted now may move into a house that will be worth less than that for which they contracted. However, on the positive side of this accounting sheet, the providers for the materials needed for remodeling jobs will have increased sales and presumably profits.

UNITED STATES HOUSING BEING USED AS A FORM OF MONEY LAUNDERING- The federal government has invoked an initiative to help authorities track and identify questionable real estate transactions. Presently, only Manhattan, New York and San Francisco are being tracked . Title companies are being compelled to report the names of all parties that are buying housing in the top 10% of the respective markets in which they are located. It is recognized that housing in Manhattan and San Francisco having been sold for $2 million ++ without financing were purchased in the name of an LLC or other guise which shields the true buyer. The question is just where is the money originating. It is strongly believed that much of the money is part of a laundering process. This process allows people to hide unreported income or out of country funds not legally brought into this country. It is believed that some are part of an illegal check cashing scheme. The initiative will at the end of this August include all of New York City, Miami and other parts of California and parts of Texas, as well as other select locales. It is thought that funds used in these purchasers may have been illegally stolen from a Malaysian fund targeted for creating housing for poverty stricken locales and other development.

ANOTHER BAD RAP FOR NEWARK- Woe be Newark and New Jersey. Conde' Nast magazine in its latest edition listed via survey the 10 worst cities for travelers to include safety in the United States. What's the difference of which was in 10th place. The worst city according to this printed survey in a very well read magazine is Newark, New Jersey. No, they didn't get the state wrong. Now you know why Delaware pronounces its "Newark" with the accent on the enunciation of the end of the name "ark". There were no good words for it in the article. Someone did write in a blog, why didn't they write about the Iron Bound Section. For those of you who know Newark, the Iron Bound section is in the city bounds, but that is where the association ends.

ATLANTIC CITY'S FATE- Recently it was announced that the Trump Taj Mahal is closing at the end of this Summer. It's not openly owned by Trump. Another billionaire, Carl Icahn, owns it now. This makes 5 closings. It is suggested by the experts that only the Marina District casinos will survive with two boardwalk ones. The others will be forced to close. This is predicated on the ballot in November granting Jersey City and the Meadowlands the right to casinos. A casino is opening in the Catskills. Casinos in New York and high seas casinos coupled with the new threat will very likely sink AC. It was the only game in the northeast and they never came together with the state, county and city to rebuild the infra-structure and create a vacation retreat as did Las Vegas and Tahoe. Likely, the casinos on the Marina District should never have been allowed as early as they were. The effort and resources should have been the boardwalk properties and the renewable movement should have continued from the ocean into the up land property. But, they didn't and it's too late now. The Principle of Competition. "Profit breeds competition and excess profits breed ruinous competition. " An old line real estate principle that greed set aside.